

Message Text

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R 122314Z NOV 73

FM SECSTATE WASHDC

TO AMEMBASSY ASUNCION

INFO USCINCSO

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E.O. 11652: N/A

TAGS: MASS, AFIN, ABUD, PA, US

SUBJECT: TEN PERCENT DEPOSIT REQUIREMENT

REFS: A) ASUNCION 4212 B) STATE 109048 C) STATE 027019

D) ASUNCION 4345

1. QUESTION RAISED REFTEL A) RELATES TO PROBLEM DISCUSSED PARAS 3 AND 4, REFTEL B) OF DIFFERENTIATING BETWEEN THOSE DELIVERIES IN FY 72 OF ITEMS IN PIPELINE AS OF 7 FEB 72 (FOR WHICH BILLING NOT REQUIRED) AND DELIVERIES OF ITEMS SUBJECT TO SECTION 514, FROM MAP ORDERS ISSUED ON OR AFTER 7 FEB 72. SINCE REPORTS OF DELIVERIES BY MILITARY DEPARTMENTS MADE NO SUCH DIFFERENTIATION BETWEEN ITEMS WHICH WERE MAP ORDER FUNDED BEFORE OR AFTER 7 FEB 72, AT WHICH TIME SECTION 514 BECAME LAW, PROBLEM AROSE OF DETERMINING WHICH DELIVERIES SHOULD BE BILLED AGAINST TEN PERCENT DEPOSIT REQUIREMENT.

2. AS NOTED PARA 4 REFTEL B, ONLY PRACTICAL SOLUTION CON-
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SIDERING COMPLEXITY OF ADMINISTERING SECTION 514 ON WORLD-

WIDE BASIS, WAS TO DETERMINE THE LEVEL OF FUNDING FOR FY 72 AS OF 7 FEB AND TO BILL THE TEN PERCENT REQUIREMENT AGAINST DELIVERIES EXCEEDING THAT LEVEL. THAT LEVEL OF FUNDING TURNED OUT TO BE APPROXIMATELY 80 PER CENT, WHICH MEANT THAT 80 PER CENT OF FY 72 FUNDING HAD BEEN MADE BY 7 FEB 72. THIS SOLUTION TO PROBLEM WAS FAVORABLE TO MOST

RECIPIENTS IN VIEW OF FACT THAT MOST MAP ORDERS FOR FY 72 BUSINESS WERE FUNDED BY MID-72. IF IT HAD BEEN POSSIBLE TO DETERMINE MECHANICALLY WHICH FY 72 DELIVERIES SUBJECT TO SECTION 514 WERE MAP ORDER FUNDED BEFORE OR AFTER 7 FEB 72, BILLINGS FOR MANY COUNTRIES WOULD HAVE BEEN MUCH HIGHER. NO OTHER RECIPIENTS HAVE OBJECTED TO THIS SIMPLIFIED PROCEDURE.

3. WITH THIS CONCEPT IN MIND, WE HAVE NOT OVERCHARGED PARAGUAY. ALTHOUGH SOME ITEMS BILLED WERE FUNDED BEFORE 7 FEB IT IS LIKELY THAT AN EQUAL OR GREATER AMOUNT OF ITEMS FUNDED ON OR AFTER THAT DATE WILL NOT BE BILLED. THE AMOUNTS PREVIOUSLY SENT FOR BILLING AGAINST FY 72 PROGRAMS ARE ONLY THOSE AMOUNTS (REGARDLESS OF RCN) WHICH EXCEEDED THE 7 FEB 72 FUNDED LEVEL, WHETHER FUNDED PRIOR OR SUBSEQUENT TO 7 FEB 72.

4. YOU MAY EXPLAIN FOREGOING TO APPROPRIATE GOP OFFICIALS AND ELICIT THEIR COOPERATION. PLEASE REPORT GOP REACTION. FYI. GOP POSITION IS LEGALLY CORRECT AND IN ACCORDANCE WITH APPLICABLE AGREEMENT. END FYI. RUSH

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